

GENERAL SERVICES ADMINISTRATION

Federal Supply Service
Washington, D.C. 20406



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APR 26 1971

Mr. Charles A. Briggs
Chairman, Information Processing Board
Central Intelligence Agency
Washington, D. C. 20505

Dear Mr. Chairman:

The purpose of this letter is to alert your agency to the possibilities for significant cost reductions by pursuing various alternative sources of supply when considering the purchase of your installed leased automatic data processing equipment.

Significant marketing changes may offer opportunities that are more advantageous than exercising the purchase option for the installed equipment. Examples of these changes are new kinds of leasing arrangements, the emergence of leasing firms other than the original equipment manufacturers, and the availability of compatible and other peripheral components offered by independent suppliers.

The effect these factors can have on your reaching a determination as to whether the option should be exercised or some other source utilized can usually best be determined and evaluated through the competitive process in the open market. In some cases you may be in a position to make a findings and determination without going to the market that alternative sources of supply would not result in lower costs than that available under an existing purchase option, and when that fact is clear, you should not go to the market.


If you make such a determination, it should, among other things, take into account problems and costs of conversion, the need for continuity of operations, and other potential costs to the Government. In instances where the original contract arrangement called for a commitment on the part of the Government to purchase the installed equipment at a specified future date, costs which may be incurred in terminating the contract and other legal considerations must also be taken into account. In any event, all determinations should be documented with appropriate findings and determinations.

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2

The essential point I wish to convey to you is that the competitive environment within the ADP industry offers considerable opportunity for reducing the costs of your ADP operations by the use of newly emerging sources of supply. It is therefore important that you give these opportunities full consideration before making any commitment to purchase ADP equipment that you may now be leasing. We will be pleased to discuss these opportunities in greater detail with you at any time and assist you in any way that we can.

Sincerely,



H. A. ABERSFELLER
Commissioner, FSS